

TO: Mayor and City Council

DATE: March 17, 2006

SUBJECT: City Manager's Budget Message

INTRODUCTION

As I present the fiscal 2007 Proposed Budget, I first want to discuss the larger context of the fiscal condition and outlook for the City of Williamsburg.

Looking at our performance in the past, and, more importantly, our opportunities and challenges ahead, there is ample justification for both encouragement and caution. There are both sunshine and clouds in the forecast, but, I believe, more reason for optimism than pessimism if the city makes wise decisions along the way.

To begin, here is some of the sunshine in Williamsburg's fiscal forecast:

- The city ended FY 2005 with a General Fund operating surplus of \$1.2 million. Over the last ten years the city has achieved an operating surplus in every year averaging \$1.7 million per year, which has been and will be used for capital projects.
- In addition to operating surplus, the city has consistently used its Sales Tax receipts (\$4.2 million annually) for pay-as-you-go capital improvements and debt service payments, not operating expenses.
- The city has maintained low property tax rates and low water/sewer fees – giving room to grow these revenues if essential.
- The city has maintained low indebtedness (outstanding principal balance in all funds is currently \$21.6 million) which allows for future borrowing for capital improvements if needed.
- New tax base is in various stages of development:
 - Roseland Property Company is expected to invest nearly \$200 million in construction of High Street Williamsburg over the next few years. Starting in fiscal 2009 taxes from High Street, net of city expenditures for public

services, could yield over \$2 million annually, per the impact study by Chmura Economics and Analytics.

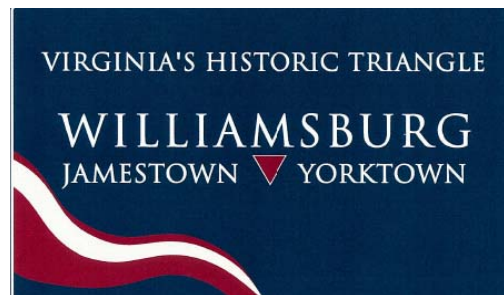
- Continued institutional investments in the city to be completed this fall include the reconstructed Williamsburg Lodge and Conference Center by Colonial Williamsburg; and, while not directly taxable, the Adair Parking Facility and the Jamestown Road dormitories of the College of William and Mary.



Williamsburg Lodge Rendition

- New tax generating developments such as Yankee Candle, Westgate Timeshares, Ripley's and Walgreens – all on Richmond Road; and the Health Evaluation Center located downtown.
 - Prospective mixed-use development of the 360 acre “Quarterpath at Williamsburg” project led by Riverside Healthcare Association.
- The region's tourism industry is striving mightily to generate and serve growing visitation:

- The Jamestown 2007 Commemoration, America's 400th Anniversary, is taking flight with a rich schedule of “signature events,” and 2007 Host Committee preparations, including Prepare-Care-Share, a new regional visitor center, and a new Historic Triangle wayfinding sign system.



Historic Triangle Wayfinding Sign System

- Colonial Williamsburg's “Revolutionary City” launches this March aimed at engaging visitors in the story of Williamsburg as never before.
- The Williamsburg Area Destination Marketing Campaign (WADMC), the restructured Greater Williamsburg Chamber and Tourism Alliance, the Nichols Group Tourism Vision Study...are all pushing toward the goal of greater cooperation within the Historic Triangle as we compete for business nationally and globally.

- The city continues to reinvest tax dollars, over \$3.85 million annually, in tourism promotion and advertising through Colonial Williamsburg, the Chamber and Tourism Alliance and WADMC.
- The city is striving to improve its governmental performance in such areas as:
 - Hiring its first Economic Development Manager in 2005, and adopting a detailed Economic Development Strategic Plan in 2006.
 - Joining the Virginia Consortium for Performance Measurement aimed to improve the scope, quality and comparability of governmental productivity and effectiveness measures.
 - Ten years of annual Citizen Surveys that rate the quality and value of city services between “very good” and “excellent,” revealing an atmosphere of respect and goodwill between Williamsburg citizens and their local government as we work in partnership to ensure for the city sound financial condition in the future.

More positive things can be said about the city fiscal future, but we also need to look for the challenges ahead. Clouds on the fiscal horizon include:

- With only 3% of the land area of the three Historic Triangle jurisdictions, and no ability to annex, City of Williamsburg’s economic growth potential is limited.
- While Williamsburg, according to the 2000 Census, enjoyed the highest per capita retail sales by resident in Virginia (\$27,130), the city is losing market share to rapidly expanding James City and York Counties. From 1990 to 2004 the number of businesses in Williamsburg grew just 9% compared to 71% in James City County and 49% in York County.
- While Williamsburg, according to the 2000 Census, enjoyed 1.9 jobs per resident, employment in the city has declined in recent years, standing at 1.4 jobs per resident in 2003. With the move of Sentara Hospital to York County in 2006, more jobs will leave the city. Back filling the Williamsburg Community Hospital site with the William and Mary School of Education is a good idea, but it will not replace the economic loss of the hospital.
- The city’s budget picture in fiscal 2008 and beyond will likely turn on a few major developments:
 - Concerning revenues, rapidly rising residential property reassessments over the past few years have largely made up for stagnation in room, meal and sales taxes over the same period. Should residential reassessments level off

(which is likely), and, should business based taxes not return to healthy annual growth - trouble will follow.

- Concerning expenditures, the one significant area not under direct City Council control is the W/JCC school budget. The projections for the next five years presented by the school administration – for both operating and capital expense – are staggering. This cost escalation is driven by growth of the student population in James City County, but impacts the city significantly under the present school contract for the joint system.

The city will need to continue to watch spending closely over the next several years to ensure that cash reserves do not fall below City Council policy of retaining in reserve 35 percent of the General Fund Operating Revenues. This can be done by a combination of balancing operating budgets, deferring capital projects if need be, and borrowing judiciously.

Looking now at the year immediately ahead, FY 2007, the Proposed **General Fund Operating Budget** can be summarized by:

- Projected Revenues of **\$30,608,172**, up by **5.34%**.
- Planned Spending of **\$30,834,983**, up by **5.99%**.
- Use of Reserves for current spending of **\$226,811**.
- No Change in Tax Rates.
- Personnel increase from 191 to **196**, four of which are new public safety positions.
- Allowance for merit pay increases averaging **4.0%**.

In the **Utility Budget**, recommended is an **11%** Water and Sewer rate increase, from \$2.70 to **\$3.00** per one thousand gallons, beginning July 2006, per the **Five Year Water and Sewer Rate Analysis**.



Treyburn Drive Construction

In the General Fund **Capital Improvement Program**, a total of **\$5,812,627** is projected in new capital spending, excluding debt service. Important capital projects now under construction and soon to be completed include Richmond Road reconstruction and Treyburn Drive construction.

In summary, the proposed revenue estimates and spending plan, if executed exactly as projected in the proposed FY 2007 budget, would result in the following fund balances on June 30, 2007:

General Fund Balance	\$15,096,993
Utility Fund Working Capital	\$ 4,192,688
Total Reserves on 6/30/07	\$19,289,683

With the above as an overview, the remainder of the Budget Message discusses a number of issues that are particularly relevant in understanding and reviewing the proposed budget, beginning with General Fund revenue projections.

REVENUE PROJECTIONS

Next year (FY 2007) we forecast General Fund revenues of \$30,608,172, a 5.34% increase over the current year (FY 2006) budget amount. Behind the Budget Guide tab is a detailed explanation of revenues, explaining the legal basis and ten year trends of all revenue sources. The following is a summary of significant revenue changes in next year's budget:

1. **Property Taxes.** Property tax projections are based on a total anticipated value of real estate of \$1.452 billion dollars. Assuming no change in the tax rate of \$.54 per hundred dollars of assessed value, we estimate real property tax collections of \$7,650,000 next year, a 12% increase from current year budget estimates. Property taxes continue to be among the faster growing revenues due to reassessment and new construction.

Other property taxes include personal property and business property. These categories are showing growth, but not as much as real estate taxes. All property taxes (real and tangible) taken together are expected to generate \$10,302,700, an 8.8% increase. Personal Property Tax – predominately the "Car Tax" – is based on a fixed state payment for car tax relief of \$773,572, plus local collections estimated at \$408,411. This means the amount of car tax relief to the taxpayer will be 65%.

Property taxes account for about 34% of General Fund revenue, compared to an average of 50% to 60% or more in most jurisdictions in Virginia. This means that rising property tax receipts are not as helpful to the bottom line as they are in most other localities, but still critical to balancing the budget in 2007.

2. **Other Local Taxes.** Other local sources of taxation include various consumer utility taxes and franchise fees, business licenses and prepared food and lodging or "room and meal" taxes. The estimate for room and meal tax collections is projected to total \$3,825,000 for room tax, a 1.9% decrease; and \$5,475,000 for meal tax, a 0.5%

decrease, over last year's adopted budget. These estimates assume continued flat to negative performance of the city's tourism economy. The room tax estimate does not include the \$2.00 destination marketing surcharge for additional tourism promotion, which is a separate line item in the budget of \$1.8 million. Last year we had good reasons to hope we would turn the corner this year and see a return to growing profits, but we have not yet seen the numbers turn. Therefore, it is best to continue to project no growth in FY 07.

Taken together, all local sources of taxation are expected to generate \$24,758,300, a 3.6% increase over the current year budget.

3. **User Fees.** User fees include various license and permit fees, including building permits, and various charges for service. Licenses and Permits are projected to increase by 24.5%, primarily due to projected commercial and residential building activity. Modest fee increases in FY 07 will be proposed by separate ordinance covering fire inspection, signs, rezoning, site plans, erosion control, and Board of Zoning Appeals. Other charges for service and miscellaneous (which includes Park and Recreation fees, cemetery fees, and royalties) are projected to be near level on average. Revenue recovery for Emergency Medical Service transport was introduced in the FY 06 budget. It is projected to yield \$250,000 to assist with the rising cost of emergency medical service.
4. **Fines and Forfeitures.** This category covers court fines – mostly for traffic violations, parking fines, and code violation fines. It is expected to decrease by 4.1% to \$231,300, reflecting fewer traffic citations and parking tickets.
5. **Revenue From Use of Money and Property.** The interest earning estimates (\$775,000 in the General Fund and \$120,000 in the Utility Fund) are based on assumed earnings of 4.4% on daily accounts, and 4.4% on longer-term accounts. Additionally, the property rental estimate is \$466,600, a 29.4% increase, covering the Community Building, Transportation Center, City Square, and the Prince George Parking Garage. The growth in this account is due to increasing use of the Prince George Parking Garage, and higher rental payment by Williamsburg Area Transport (WAT) for use of the Transportation Center as its hub as WAT transitions to a Regional Transit Authority.
6. **Revenue From the Commonwealth.** Revenue from the state government in the amount of \$2,714,951, which includes support for constitutional officers and both categorical and non-categorical aid, are estimated to increase by 9.3% based on the improved state financial picture. The estimate of Sales Tax for Education of \$790,951 shows a 11.7% increase over the estimate last year.

EXPENDITURE ISSUES

Next year we have proposed General Fund operating expenditures of \$ 30,834,983, an increase of 5.99% over the current year adopted budget. Broken down in five large categories:

	<u>FY 2006 Adopted Budget</u>	<u>FY 2007 Proposed Budget</u>	<u>Percent Increase/ (Decrease)</u>
Police and Fire Departments	\$ 6,268,028	\$ 7,020,163	12.0%
Other City Departments	\$ 8,856,913	\$9,428,443	6.45%
Constitutional Officers and Judicial	\$ 1,712,563	\$ 1,715,055	0.15%
Education and Library	\$ 7,225,569	\$7,473,680	3.43%
Outside Agencies and Health	\$ 5,028,497	\$5,197,642	3.37%

The Proposed Budget recommends a net increase of five personnel positions in the General Fund, and none in the Utility Fund. If adopted, total full time equivalent city positions in both funds will stand at 196. Changes in expenditures worthy of note are:

1. **Salary Ranges and Pay.** The city's Merit Pay Plan gives management the flexibility to target increases where most needed. Our goal should be to remain reasonably competitive on compensation within the limits of revenue growth. Therefore, I am recommending the following:
 - Increase in Pay Ranges of 3.0%, in order to account for the rise in wages and the rise in the Consumer Price Index in calendar year 2005 of 3.4%. (The range increase does not in itself change anyone's salary and therefore has no direct impact on the budget.)
 - Average Merit Increase allowance of 4.0%, costing \$320,000 in salary increases, to be applied per the city's Merit Pay Plan as detailed in the Personnel Manual.
 - The merit increase will hold our employees on average to 97.0% of the middle of their salary ranges.

2. **Personnel Positions.** As explained in more detail under the departmental headings, the total number of positions in the city increases from 191 to 196 in the proposed budget:

<u>DEPARTMENT</u>	<u>POSITION</u>	<u>GRADE</u>
Police Department	Communication Operator (2)	5
	Police Officer	6
Fire Department	Firefighter	6
Code Compliance	Combination Inspector	6

3. **Health Insurance.** The city's health plan is largely self-insured. Anthem is paid a set amount to administer the plan, but the city keeps savings when actual costs fall below the "premium," and pays more when costs exceed the premium. That liability, however, is capped at 125% of premiums through excess insurance. Savings to date have created a reserve, \$570,956 as of the end of FY 2005, to fund losses should losses exceed the amount budgeted in any given year. Therefore, we budget for the expected loss only. Based on experience so far this year, we have included a 5.25% increase in funds budgeted for health insurance over the current year budget in the total amount of \$991,260.
4. **Dental Reimbursement Plan.** On City Council's agenda for the April 13, 2006 meeting will be a recommendation to terminate the city's dental insurance plan in favor of a new dental reimbursement plan. Funding in the budget for the existing plan will be used to fund the new plan. Depending on the level of usage, it may be necessary to use part of the self insurance reserve fund for the new plan in its first year.
5. **Employee Legal Service Plan.** A second proposal for an employee benefit change – also subject to separate approval by City Council – deals with basic estate documents for permanent full time city staff. This proposal is for the city to assist employees obtain wills, a durable power of attorney, and directions for end of life. This program, if approved, would be funded from the Non-Departmental "Employee Benefit Initiative" line item in the amount of \$20,000.
6. **Virginia Retirement System.** VRS sets the contribution rate for the city based on annual actuarial studies. Our rate beginning July 1, 2006 will increase from 14.25% to 16.27%. Based on our projected payroll next year we expect to pay \$1,388,009 to fund employee VRS retirements, a 20.7% increase over the current budget.
7. **General Administration.** The City Council, Clerk of Council and City Attorney's budgets for next year reflect little change from the prior year. The City Manager's

budget reflects a decrease of 6.7% with removal of the new Economic Development Manager position to a separate account.

8. **Economic Development.** Two new budget accounts have been created. One for the Economic Development Manager in the amount of \$108,305. The other titled “Non-Departmental” expands the prior “Operating Contingency” account to include a new \$50,000 “Economic Development” Contingency. This money can only be used for City Council approved economic development initiatives, enabling the proposals in the city’s new “Economic Development Strategic Plan.”
9. **Joint Courthouse and Judicial Functions.** The Joint Courthouse Agreement, dated December 1996, between the city and James City County, governs cost sharing not only for taking care of the new courthouse, but for judicial functions related to the Courthouse, including: Circuit Court, General District Court, Juvenile and Domestic Relations Court, Clerk of the Circuit Court, Commonwealth Attorney, and City/County Sheriff. The Courthouse Agreement provides that the city and county will determine population based on the annually updated Hampton Roads Data Book published by the Hampton Roads Planning District Commission. The estimate of city cost is \$330,000, up 3.1% from the prior year.
10. **Police.** The Police Department proposed budget is \$3,951,529, up from the current year 12.8%. This increase is due primarily to adding one entry level police officer and two emergency communicators (dispatchers). The police officer is needed to service our expanding community policing activities (school resource officer program, crime prevention, neighborhood outreach, etc.). The two emergency communicator positions are needed to provide a third person in the E911 Center at the busiest times of the day, where now the two person staff can be overwhelmed by the level of activity.

11. **Fire.** Last year three new firefighter/EMT positions – one per shift – were added to the budget. These firefighters have helped the fire department maintain adequate on duty staffing given the constant pressure of time away for leave and training. The three positions were also an investment in staffing which will be required to open an auxiliary fire station (nine positions total) on Ironbound Road adjacent to High Street. The budget will not support three more firefighters in FY 07 – even with a full year



of EMS fees. So, I am recommending one new position next year so as not to lose all momentum toward the goal of staffing the auxiliary station.

12. **Parking Garage.** Based on experience in the first two years of operation, we have set the Prince George Parking Garage operating budget at \$124,304. This expense

is covered by \$190,000 in projected revenues. Revenues in excess of operating costs will help pay debt service on the structure.

13. **Regional Jail and Youth Detention.** Funding for the city's share of the regional jail is expected to be \$852,523, a decrease of 2.6% from the current budget. The city share of jail costs is based on an average usage rate of 17.4% over the past five years. Each member jurisdiction (Williamsburg, James City, York and Poquoson) pays for their share of the inmate population based on the location where the offense occurred and the arresting authority. Local costs have climbed as State contributions have been stagnant, and the number of city inmates has climbed to about 86. I expect the city's share to grow over the next few years as the "five year averaging" formula catch up with our current inmate population. Other detention related expenditures are the Middle Peninsula Juvenile Detention Commission at \$120,258, which is projected to decrease by 4.1%; and Colonial Group Home Commission at \$64,074, which is proposed to increase by 27.0% due to additional staff for the youth group home run by the Commission.
14. **Code Compliance.** The Code Compliance budget of \$521,805 is up 20.3%. The increase is due primarily to upgrading our part time, non-permanent property maintenance inspector position to a full time, permanent position. A fuller explanation of this is found in the context of reorganization in the Planning Department as set forth under item 15. below.
15. **Planning Department.** Planning Department next year is proposed at \$478,255, an increase of 5.3%. A reorganization of the department is planned in order to better deal with anticipated development and property maintenance activities - the Zoning Official position will be upgraded to the Zoning Administrator, the Zoning Administrator will become the Principal Planner, and the part-time Property Maintenance Inspector will become a full-time Code Compliance Inspector. As part of the reorganization, the Codes Compliance Division will assume responsibility for fire protection systems reviews and inspections, erosion and sedimentation control, graffiti abatement and cross connection control. To help offset the additional costs associated with the reorganization, fee increases are proposed for both codes compliance and planning (fire inspections, signs, rezoning, site plans, board of zoning appeals, erosion and sediment control). These increases when coupled with anticipated development (a 20-30% increase) should generate \$50,000 in additional revenue for FY07.
16. **Information Systems.** The budget covers the contracts for hardware and software maintenance for the city's information systems, copiers, and video system (including Channel 48). The budget includes funding for an annual PC replacement program, and development of our GIS system, for a total of \$301,700, a 9.7% increase from the prior year, but a 5.3% increase from the level of the budget two years ago.
17. **Public Works.** Public Works divisional budgets totaling \$3,126,956 (Engineering, Streets, Landscape, Cemetery, Mosquito Control, Facilities Maintenance) average

2.5% above the current year amounts. The street resurfacing annual commitment is held constant at \$460,000. The cost of refuse collection is estimated at \$809,800, up 2.7% from the prior year's budget.

18. **Human Services.** Salaries in the Human Services Department are funded in part by the Commonwealth, but the department is a city operation. Local funding supplements State funding to allow the department to provide a full array of human services. The local budget for next year is estimated at \$600,987, a 7.7% increase over the prior year.

OUTSIDE AGENCY ISSUES

Nearly one-half of the city's General Fund budget goes to agencies and activities not under City Council's direct operational control.

Funding relationships are often complex, and vary in degrees of funding discretion possible from year to year. The "Notes on Funding Relationship," contained under the Budget Guide tab, help explain the city's role in providing financial support to these agencies and activities.



Background documentation from outside agencies is contained in the Appendix, or provided under separate cover, as in the case of the School and the Library budgets.

A number of issues concerning outside agency funding requests for the coming year need to be highlighted:

1. **Health Services.** The four agencies named below provide health services to city residents, workers and visitors. The total recommended funding for FY 07 is \$459,297, an increase of 4.8% over the current year.

The Peninsula Health District budget request to the city is \$133,917, a 4.7% increase over the current year.

The Human Services Advisory Board has recommended Olde Towne Medical Center (Williamsburg Area Medical Assistance Corporation or WAMAC) receive funding of \$86,000, a 2.4% increase over the current year; and that the Comprehensive Health Investment Program (CHIP) receive \$17,760, an 11.4% increase over the current year.

Finally, the Colonial Services Board, the agency through which the city provides mental health and retardation services to its residents, requests a 5.2% increase in city contribution to \$221,620, based on the multi-jurisdictional funding formula.

2. **Schools.** Based on the School Board's budget at this point in time, and State funding based on General Assembly action, we can expect a city contribution to the operational budget in the amount of \$6,634,386, a 3.3% increase from the current year. The final amount will be determined by formula as set forth in the current five-year city/county Joint School Agreement effective July 1, 2002, and the final amount of State support. As a result of current and past school agreements, the city's proportional share of funding for the schools over the past decade has declined, even when funding in absolute dollars increases, and that trend will continue next year. City children numbering 756 now account for 7.72% of the children enrolled in the system. Under the Joint School Agreement, in FY 07 the city will pay a share equal to its enrollment times a factor of 1.18. So, the city continues to pay a premium to participate in the joint system. Based on the current enrollment split, the city's contribution will be 9.10% and the county's 90.90%, of local funding for the schools. FY 07 is the last year under current agreement with James City County.
3. **Library.** The Williamsburg Regional Library is funded under the revised library agreement with James City County, effective July 1, 1999. That agreement calls for funding of operational costs based on the proportion of circulation by residency. Based on the library's figures, the city/county circulation ratio for fiscal year 2004 was 16.73% city, and 83.27% county. (We have agreed to use these numbers due to a computer conversion problem with verifying the FY 05 numbers.) The Library's proposed budget of \$5,864,289 is a 4.7% increase, which would result in an estimated city contribution of \$829,294.
4. **Human Service Agencies.** The city's Human Services Advisory Board, as requested by City Council, has evaluated Human Services Agency requests for funding, and made its recommendations to City Council. Their analysis and recommendations are in the Appendix to this document. The proposed budget is a 7.85% increase from the current year in the total amount of \$90,931. The proposed budget follows the Human Services Board's recommendations in all respects.
5. **Community and Economic Development Agencies.** The city has supported tourism advertising and promotion through Colonial Williamsburg and the Williamsburg Area Convention and Visitors Bureau – now the Greater Williamsburg Chamber and Tourism Alliance.

This year Colonial Williamsburg Foundation has requested level funding of \$1,300,000, and I have recommended that amount. The Greater Williamsburg Chamber and Tourism Alliance has requested funding of \$963,000 (which includes \$100,000 for Chamber operations), which is \$100,000 more than the prior year. I am recommending that the city fund the current year amount. During the three years from FY 02 through FY 05, room tax receipts in the city declined 8.0% (from \$4,055,033 to \$3,729,652); and meal tax receipts increased a scant 2.1% (from \$5,288,427 to \$5,401,105). While I am aware of the chicken/egg argument with regard to investing more while times are hard, the fact remains that without growing

tourism revenues to invest in tourism advertising and promotion, the city can not both meet its many other obligations and spend more on promotion.

The proposed budget also includes an estimated \$1,800,000 of pass through funding from the \$2.00 room surcharge to the Williamsburg Area Destination Marketing Committee's "GoWilliamsburg" campaign. This brings the total city tax dollars for tourism promotion to \$3,863,000.

In addition to tourism promotion, the city support is recommended for a number of other agencies that make important economic development and community development contributions to Williamsburg:

Williamsburg Redevelopment & Housing Authority	\$35,000
Hampton Roads Planning District Commission	\$10,988
Peninsula Council for Workforce Development	\$ 5,847
Hampton Roads Economic Development Alliance	\$11,465
Thomas Nelson Community College	
Hampton Campus	\$ 9,624
Williamsburg Campus rental	\$20,000
Hampton Workforce Development Center	\$10,500
Jamestown/Yorktown Foundation	\$10,000
Colonial Soil and Water District	\$ 2,535
Hampton Roads Partnership	\$ 5,325
Hampton Roads Film Office	\$ 7,500
Williamsburg Land Conservancy	\$ 5,000
Heritage Humane Society	\$16,000
Williamsburg Farmers' Market	\$ 4,000
Crossroads Coordinating Committee	\$10,000
Jamestown 2007 Host Committee	\$15,000
Jamestown 2007 Commemorative Stamp	\$ 1,500
Military and Federal Facilities Alliance	\$ 5,360
Community Services Coalition	\$ 5,000
 Total including CWF and CVB	 \$4,153,644

This year two new regional community/economic development projects have been added: the Hampton Roads Film Office requested \$15,000 (\$7,500 recommended); Hampton Roads Military and Federal Facilities Alliance (\$5,360 based on a regional per capita formula). Detailed information on these initiatives is provided in the Appendix. Regarding the Williamsburg Land Conservancy, I am recommending that the city return to a \$5,000 funding level instead of the requested \$10,000. The Community Services Coalition, which operates the Historic Triangle Community Services Center, received \$2,500 last year, and is now requesting another \$5,000 for debt reduction and deferred maintenance of their building. Another request for funding comes from Historic Jamestowne for \$15,000. I have not recommended

adding Historic Jamestowne to the city's list of agencies receiving annual funding; Council did fund Historic Jamestowne \$10,000 in FY 06. Because the city's main destination Colonial Williamsburg receives no funding support from either county, the City Council's support in the past for Historic Jamestowne, or Jamestown Settlement for that matter, is very generous. I am recommending however, that the city support the Commemorative Jamestown Stamp project with \$1,500 because it should not be reoccurring and it is tied to the Jamestown 2007 Commemoration.

6. **Cultural.** The Williamsburg Arts Commission has again performed the task of receiving, evaluating, and recommending funding for the arts. Their report is copied in the Appendix. They recommend local arts funding of \$135,770, slightly less than the current year. Of this amount, the city contribution would be \$62,885. This assumes a state arts commission challenge grant of \$10,000, and county funding of \$62,885. The State grant last year was \$10,000. The Arts Commission is also recommending a \$76,000, one time, Jamestown 2007 Arts Grant Program. The city share of this program would be \$22,800.

City sponsorship for the fourth annual "Festival Williamsburg" is provided again in the amount of \$50,000.

7. **Transportation.** James City County has requested \$247,770 to support our new, unified regional transit system, Williamsburg Area Transport. Originally, the current year budget was \$154,200. The unified system, as envisioned in the Long Range Public Transportation Plan, combines JCC Transit, Colonial Williamsburg, and the William and Mary systems. A new governing structure by a regional authority will be in place based on action by the General Assembly, and a new Executive Director has been hired. At this point I have recommended the city fund the amount of \$225,000, pending more analysis of the funding formula for WAT.

Under Transportation are two additional regional partnerships to promote alternatives to highway travel. These are continuing support for Virginia's High Speed Rail Coalition, but at a reduced amount of \$1,000; and third year support for the Newport News/Williamsburg Airport Task Force in the amount of \$6,000 to support efforts to expand air service for the Peninsula.

CAPITAL IMPROVEMENT PROGRAM

Revenue to fund the CIP comes from 1% Sales Tax Receipts and funds reserved for capital improvements.

Here are some of the highlights from this year's update of the Five Year Capital Improvement Program:

- Richmond Road Reconstruction from Brooks Street to New Hope, including underground wiring, is under construction throughout FY 06 and into FY 07. Project completion is scheduled for December 2006.
- Stage One of Treyburn Drive (design and engineering) and Stage Two (right-of-way acquisition and permitting) has been completed. Treyburn Drive Stage Three (construction) is now underway. The road should be open for traffic well before July 2007 as “High Street” construction is in full swing.
- The northern end of Quarterpath Road is planned for widening and improvement concurrent with the development of Quarterpath Village neighborhood under a Public-Private Transportation Project (PPTA) proposal. At present, the CIP does not contain funds for underground wiring as part of this project.
- Traffic signal analysis and (if warranted) installation on Richmond Road at either Waltz Farm Drive or Yankee Candle entrance.
- Several projects deal with enhancement to city highways and byways. These include renovation of ByPass and Page Street bridges, underground wiring on Braxton Court, underground wiring on east Lafayette Street, guardrail replacement on Jamestown Road and ByPass Road, and new sidewalks on Capital Landing Road.
- Continuing the multi year upgrade to Kiwanis Park as a softball complex, refurbishing



floors at Quarterpath Recreation Center, developing Strawberry Plains neighborhood park and beginning development of a new regional park: 22 acre “Redoubt Park” preserving Civil War earthworks on Quarterpath Road.

eginning a project to result in a new Emergency Operations Center and Fire Administration annex to the Fire Station located in the downtown/City Square area. (This is the first step in a long range plan to develop the City Square Municipal Center and meet future space needs for all city departments.)

- Replacing the E911 call receiving equipment in the Emergency Communications Center, and replace laptop computers in all police vehicles.
- Purchasing hardware and software to convert our existing AutoCAD mapping system into a full Geographic Information System (GIS).
- Continuing the Braxton Court Community Development Block Grant Project for neighborhood improvement in the west end of Scotland Street.

- Funding of the School's CIP request – subject to action by James City County Board of Supervisors per the Joint School Agreement – including the third high school and the next elementary school.
- City participation in the construction of a new animal shelter in partnership with the adjoining counties and the Heritage Humane Society; and assistance to the YMCA in York County.

The Planning Commission's review of the draft CIP, used in developing the final recommendation, is provided under the Capital Improvements tab.

UTILITY FUND OVERVIEW

The Utility Fund projects \$4,637,400 in operating revenues and a 1.7% increase in operating expenditures. A 11% water rate increase, \$2.70 to \$3.00 per 1000 gallons, is recommended. Increases in the amount of "availability" fee for new construction are also recommended.

A Rate Analysis for the Utility Fund is provided under the Appendix tab. The analysis shows a future with rate increases, and a future with no rate increases. The Rate Analysis is updated annually as part of the budget process. Expensive "new water" from King William Reservoir, purchases of more watershed land, and renewal/replacement of infrastructure, are all in our future. Unlike nearly all other area jurisdictions, the city still does not charge separately for sewage collection and pumping, but rather bears this cost using water revenue. City rates for water and sewer combined continue to be exceptionally low in the region, as shown in Exhibit 3 of the Rate Analysis.

The Rate Analysis also demonstrates the need for substantial increases in the water and sewer availability and connection fees. Because "new water" for future customers will be much more expensive than water from our existing supply (Waller Mill), customers in the future need to pay more to tap into the city water and sewer system.

NEXT STEPS

The budget process now moves from the staff level "formation" phase, to the Council and public level "adoption" phase.

The Budget Work Sessions, principally to look at outside agencies, are scheduled for Monday, March 20 and Tuesday, March 21. The school budget will be reviewed at the Monday, April 10, City Council work session. The formal budget hearing will be advertised for the April 13 City Council meeting. Adoption is scheduled for the May 11 Council meeting.

Jackson C. Tuttle
City Manager